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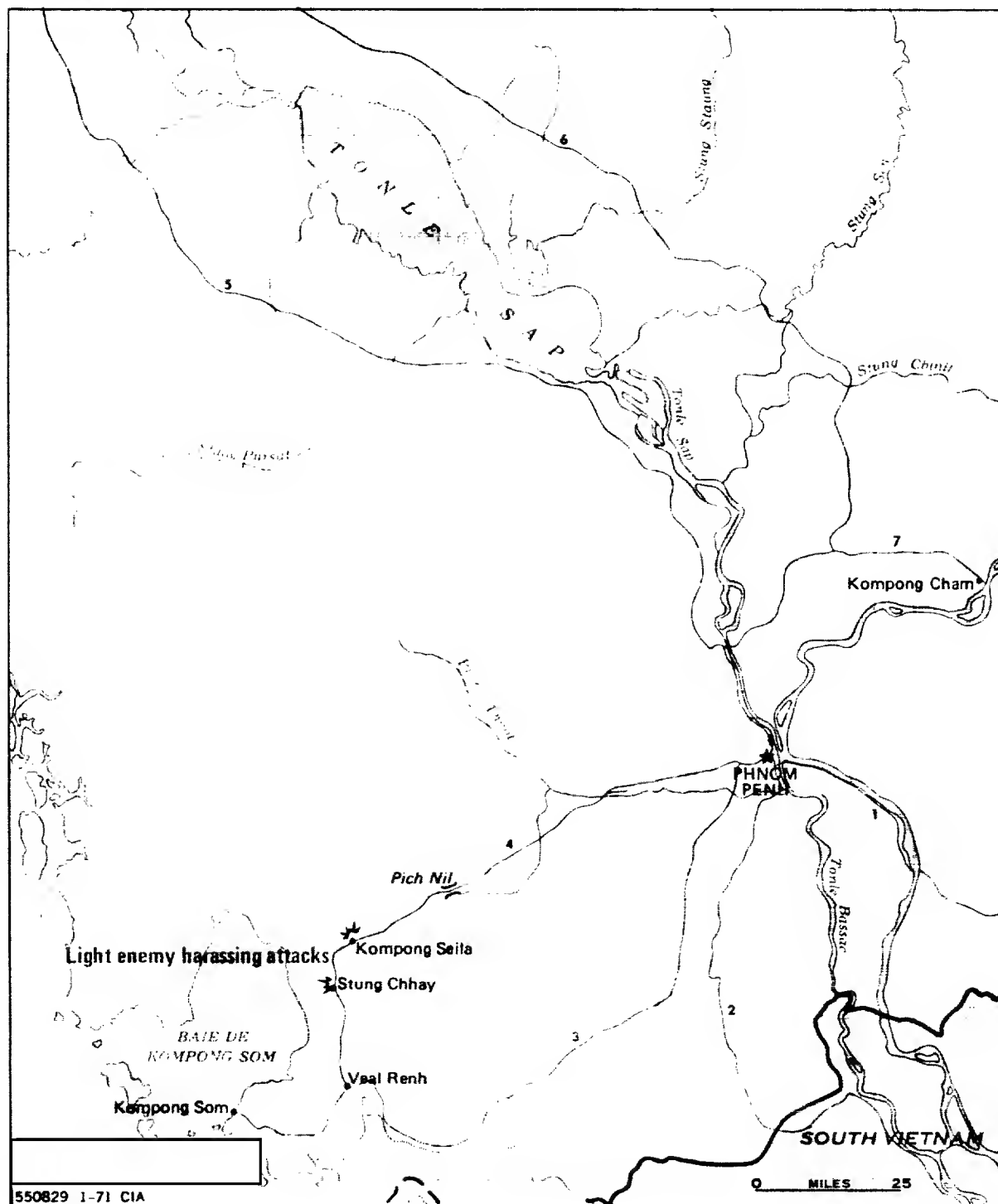
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CAMBODIA: Current Situation

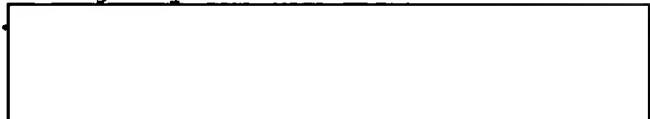


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CAMBODIA: Fighting in the Phnom Penh area remains light but government troops are anticipating fresh Communist attacks.

Cambodian Army (FANK) forces are encountering little enemy resistance as they continue their clearing operations around the city.

In other developments, the US Embassy reports that the airlift of diesel oil from Saigon to Phnom Penh began yesterday. These deliveries should help ensure the functioning of the capital's main power and industrial facilities. The Cambodians are making arrangements to send a convoy of tank trucks to Kompong Som to load POL supplies from the refinery there. Security conditions along Route 4 remain uncertain, however, as light Communist harassing attacks are again being reported against several government positions along the highway on the south side of the Pich Nil pass.



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THAILAND: Bangkok's relations with the US are going through another period of stress and strain.

Over the past few weeks, Thai Government leaders, legislators, and journalists have voiced strong protests over the proposed sale of PL-480 rice to Indonesia and South Korea, arguing that the US is dumping rice surpluses in Thailand's traditional Asian markets and thus undermining Bangkok's economic situation.

Foreign Minister Thanat, predictably, has been in the forefront of those government leaders who have criticized Washington. In a diplomatic note of 11 January the Foreign Ministry charged the US with responding to Thailand's "whole-hearted cooperation" in Indochina with "damaging and unfriendly treatment." Thanat also publicly accused the US of seeking political gain from the sales at Thailand's expense. Thanat and others, including Prime Minister Thanom, made a strong presentation concerning this issue to Defense Secretary Laird during his recent visit to Bangkok.



Rice, Thailand's chief foreign exchange earner, has often been a source of considerable friction between Bangkok and Washington. More fuel will almost certainly be added to the fire if US plans to resume sales from its natural rubber stockpile become widely known to the Thai public.

The reaction of the Thai Government to this plan has been highly critical--rubber is its second

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most important foreign exchange earner--but the issue has received only limited publicity because of the government's concern about the adverse effect public exposure might have on rubber prices. The Thai have in the past relied upon Malaysia to take the lead in dealing with the US when the natural rubber market is threatened, but this time they have taken their case directly to the US ambassador.

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INDONESIA: A five-year military plan now being prepared calls for development of a highly mobile internal security force and preparation for UN-sponsored peace-keeping requirements in the Pacific area.

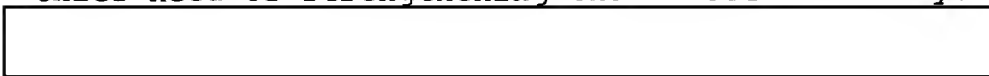
According to Major General Habib, Defense Ministry operations chief, the nation's emphasis on economic development has necessitated a sharp curtailment of military spending. Priority in planning, therefore, is being given to reducing force levels and to developing a small, quick reaction force capable of reinforcing territorial units.



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General Sumitro, aside from President Suharto the most important official in Indonesia, has approved the general concept of the plan, and presumably has discussed it with the President. Habib has also described the plan to the US defense liaison group. He hopes the quick reaction force can become operational by 1974 and be strengthened and improved during the balance of the decade. Its development, as the Indonesians conceive it, however, will require external military assistance.

Although the Suharto government has enlarged its area role, its preoccupation is still with domestic problems. For the next few years, present leadership will probably continue to emphasize the chief need of strengthening the domestic economy.



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USSR-PHILIPPINES: Moscow seems increasingly anxious to establish formal diplomatic relations with Manila, though such a move does not yet appear imminent.

The most recent evidence of this interest appeared in a Pravda article of 27 January, which noted approvingly Philippine President Marcos' recent statement in his state of the nation address supporting the early establishment of diplomatic and trade ties with the "socialist" community. In the last month or so, the Soviet central press has on several occasions called attention to Manila's changing attitude toward establishing ties with Moscow. There have also been a number of Soviet visitors to the Philippines in recent months whose chief mission there probably was to focus favorable public attention on the issue.

The Soviets have been seeking to establish ties with Manila for several years as part of their effort to establish relations with countries in Asia where they had not been active before. These efforts have been slowed, however, by the preoccupation of the Filipinos with their domestic problems as well as by their innate caution.

Manila is currently considering the idea, and it seems possible that formal relations will be established before the year is out. Only a small, albeit highly vocal, proportion of the populace now favors the move, however, and Marcos will probably try to develop more of a national consensus before he acts.



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ECUADOR: The government's OAS delegation is rounding up support for an anti-US resolution.

The resolution charges the US with causing "international intranquility" and exhorts member states to respect OAS principles and refrain from coercive measures and threats. The 22 to 0 vote to convoke a special meeting of foreign ministers on Saturday overrode the US request that the dispute be referred to the Inter-American Committee on Peaceful Settlement. Consideration of that alternative apparently will be taken up again tomorrow.

The US Embassy in Quito comments that the government apparently has no interest in declaring a truce at this time and may believe it "needs the US less than ever." The US business community in Ecuador is increasingly nervous over the deteriorating relations.

Three more tuna boats were seized Wednesday, and the navy apparently has standing orders to capture every boat within the 200-mile limit. Seventeen ships have now been apprehended, fined, and forced to take out a license.

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CHILE: Illegal land seizures instigated by the Movement of the Revolutionary Left (MIR) are causing problems for President Allende's Popular Unity coalition.

The MIR, which has recently become closely associated with Allende but is not a member of the coalition, is boasting of its role in the land seizures and is using the resultant unrest to increase its influence in the countryside. The Communist governor of one province has been dismissed for his association with illegal land seizures although Communist Party policy opposes this tactic. The position of the Radical Party is complicated by its membership in the coalition and its traditional constituency among the farmers. Radical deputies have called on the party leadership to prevent expropriation of farms under the legal limit of about 200 acres. One leftist Radical senator claims that disruptions from the seizures have caused a serious decline in milk production.

The government is trying to speed up the agrarian reform process and avoid illegal seizures by getting the farmers to sell their land voluntarily rather than wait for expropriation. Despite these efforts, it seems unlikely that the MIR will cease its activities. MIR members reportedly are receiving key positions in the agrarian reform corporation and can be expected to use these posts to increase even more the organization's rural base.

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ARGENTINA: Friction between President Levingston and the service commanders is increasing.

Following a meeting with Levingston late last week, Oscar Alende, a well known nationalist politician, charged that "foreign monopolies" were trying to undermine the administration's nationalistic economic policies and were involved in a plot to divide the army and overthrow the government. He also alleged that the monopolies were trying to force the military to withdraw from the government and to hold early elections so that Argentine allies of the monopolies could return to power. Alende's statements are significant because they were made in the presidential offices and have received very heavy publicity by the officially controlled communications media.

Officers on the staff of the air force commander in chief cite Alende's declarations as partly responsible for the conflict between Levingston and army commander in chief General Lanusse. [REDACTED]

[REDACTED] the main problems are the Alende speech and the government's forcing the Fiat company to rehire workers who had held executives of the firm hostage during a wage dispute.

[REDACTED]

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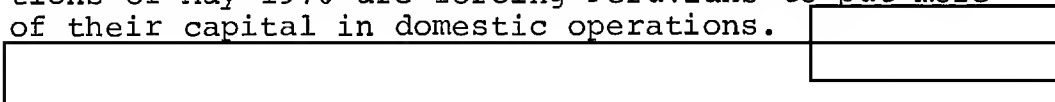
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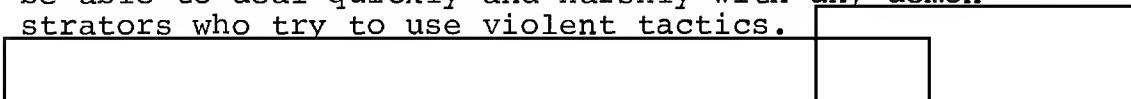
PERU: Private domestic investment during 1970 fell from the 1969 level, but a slight recovery was evident in the second half of the year. Investor confidence was extremely low during 1970 but may be improving because of increases in public construction, exports, and consumer demand. The slight growth in investment during the last half of 1970 probably also indicates that the currency restrictions of May 1970 are forcing Peruvians to put more of their capital in domestic operations.



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PHILIPPINES: Student and labor leaders have announced plans for demonstrations on 30 January, the anniversary of last year's rioting in Manila during which several students were killed. Violence could erupt, but security authorities will probably be able to deal quickly and harshly with any demonstrators who try to use violent tactics.



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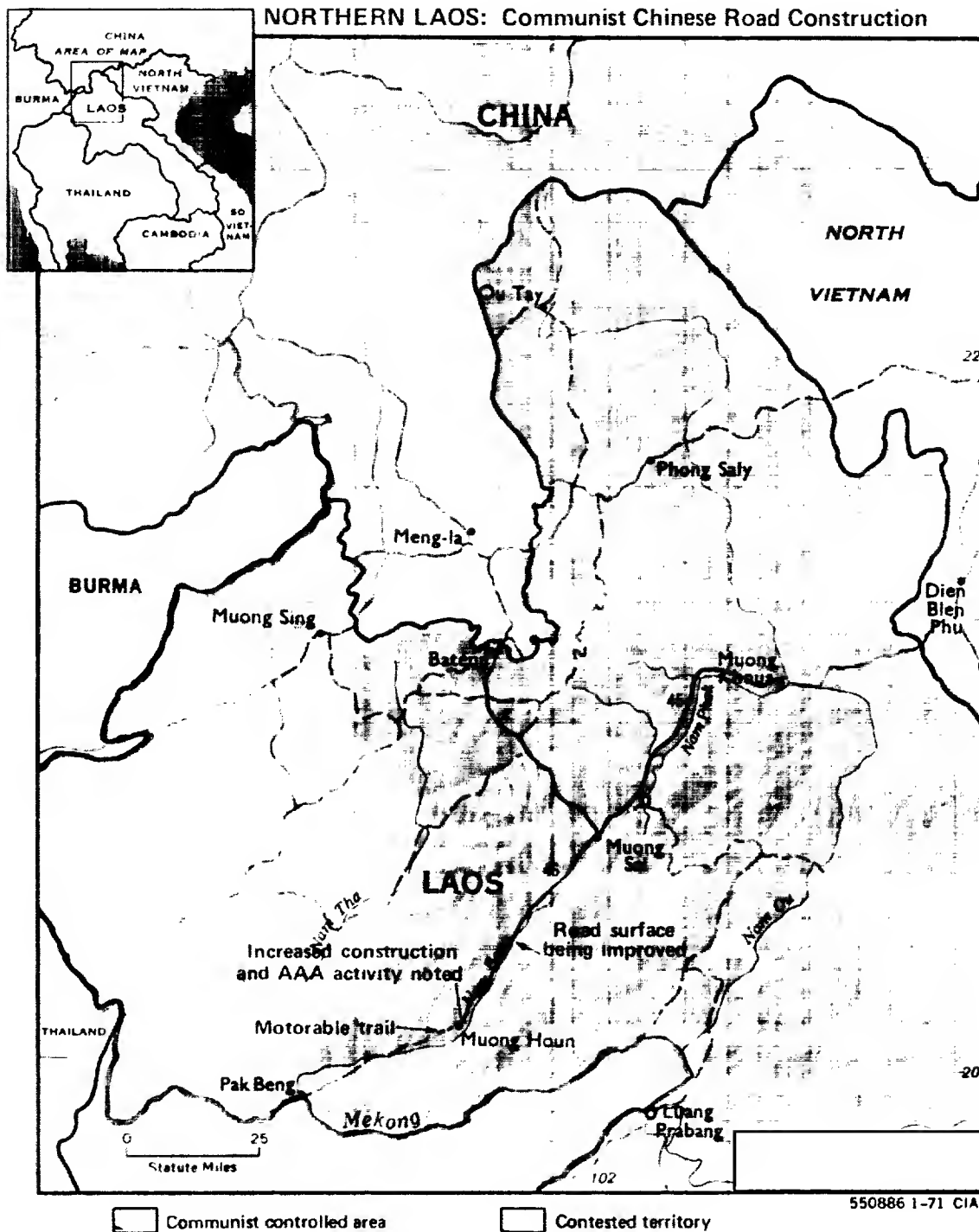
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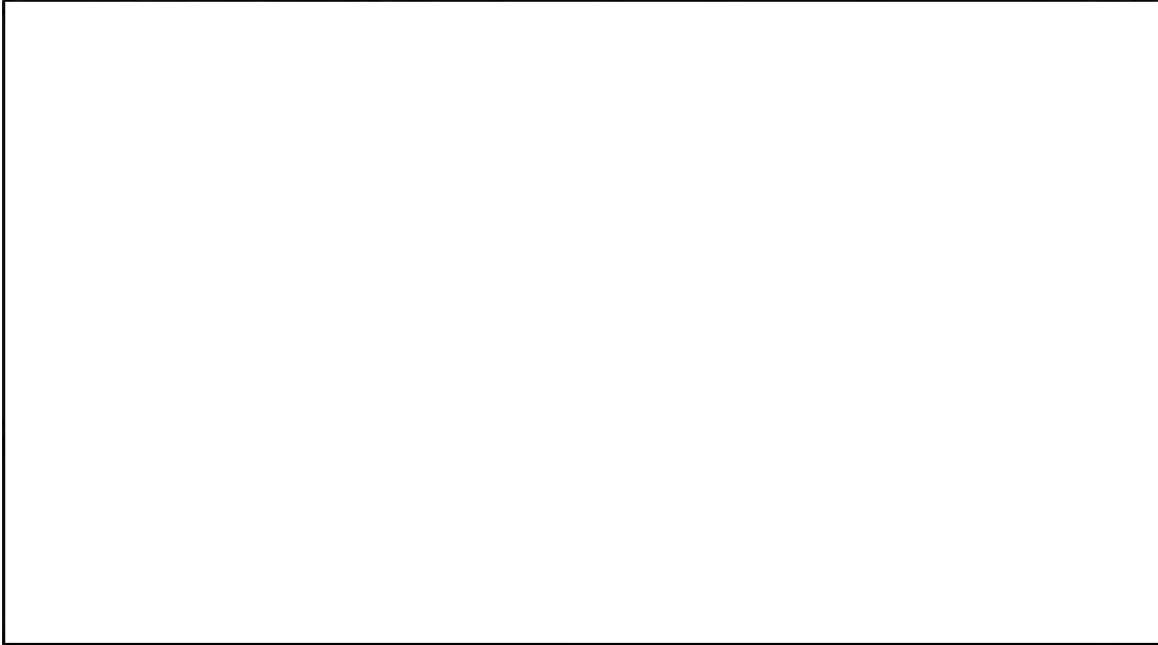
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COMMUNIST CHINA - LAOS: There are signs that Chinese engineers may be preparing to resume construction of Route 46 toward the Mekong. Photography of early January indicates a buildup just north of Muong Houn, the present terminus of the road. Construction camps are being enlarged, new AAA sites are being constructed, and possible radar-directed AAA weapons are in place. So far this dry season Chinese road builders have concentrated on finishing Route 45, which runs northeast from Muong Sai to Muong Khoua, and improving the surface of Route 46 between Muong Sai and Muong Houn. Both projects are almost finished.



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